GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

STARRED QUESTION NO:251
ANSWERED ON:10.08.2006
CAPACITY UTILISATION OF ORDNANCE FACTORIES
Singh Shri Rakesh

Will the Minister of DEFENCE be pleased to state:

(a) whether the Government has set up a Selection Committee for selection/identification of companies in the private sector for conferring the status of Raksha Udyog Ratnas (RURs) as per the recommendations of Kelkar Committee;

(b) if so, the details alongwith the guidelines prescribed for the purpose;

(c) the details of the companies selected/identified for conferring the status of RURs;

(d) whether the capacity utilisation of the Ordnance Factories will be affected in case the defence production business is shifted to the private sector; and

(e) if so, the steps taken by the Government to ensure full utilisation of the capacities available to the Ordnance Factories?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a) Yes, Sir.

(b) The Selection Committee has been set up with Shri Prabir Sengupta, Director, Indian Institute of Foreign Trade as Chairperson. Other Members of the Committee include three independent Technical, Financial and Management experts, representatives of Defence Services, Defence (Finance) and Defence Research & Development Organisation. The guidelines prescribed for the purpose are given in the enclosed statement.

(c) No "RUR" has been selected as on date.

(d) & (e): There is no proposal to shift Defence production business from the Ordnance Factories to the Private Sector. In order to ensure optimum utilization of available capacities in the Ordnance Factories, Government has taken various steps which include modernization, increased investment in 'in-house' Research & Development and encouraging co-development and co-production for new products required by the Armed Forces.

STATEMENT REFERRED TO IN REPLY TO PART (b) OF LOK SABHA STARRED QUESTION NO. 251 FOR ANSWER ON 10.8.2006

The salient features of the prescribed guidelines for selection of "RUR" are as follows:-

(a)Company registered under the Companies Act, which is a manufacturing concern can apply in the prescribed form for being selected as an Industry "RUR" for defence production. The application shall be submitted to the Department of Defence Production.

(b)All such applications shall be examined and scrutinized by a Committee constituted by the Department of Defence Production.

(c)The Committee shall be provided with technical support, scrutiny and examination of the application by an organization like Engineers India Ltd. (EIL), which will be selected by the Department of Defence Production.

(d)Secretarial support to the Committee shall be provided by the Supply Wing under Department of Defence Production.

(e)The Members of the Committee, barring the Member Convener, shall have a tenure of two years. The tenure can be extended with the approval of Raksha Mantri.

(f)The applications received by 30th September 2006 of the calendar year shall be examined and the Committee shall give its recommendations latest by 31st March next year.

(g)The Committee shall make recommendation in respect of each application indicating clearly whether the applicant should be recognized as "RUR" or not based on the criteria set forth for the purpose.

(h)The recommendations of the Selection Committee shall be placed before the Defence Acquisition Council (DAC) for acceptance. Once the DAC accepts the recommendations, the Company shall be recognized as "RUR" for purposes of defence production.

(i)A manufacturing company once approved by DAC as "RUR" shall enjoy the status of "RUR" for a period of five years. The status can be renewed for a period of three years subject to the condition that the Selection Committee recommends the same.

(j)After selection as "RUR", the Company shall sign an agreement with the Ministry of Defence on the Code of Best Practices to be followed by them. Criteria for Selection:

(i)Public Limited Indian Company registered for minimum ten years with foreign holding not exceeding 26% excluding FII.

(ii)Companies with Capital assets in India not less than Rs. 100 crores and turnover not less than Rs. 1000 crores for each of the past three years. (For this purpose, the group of companies engaged in manufacture will be treated as one company).

(iii)A minimum credit rating equivalent to CRISIL/ICRA − "A".

(iv)Company with consistent profitable financial record showing profits in at least three years of the last five years and with no accumulated losses.

(v)Companies with established track record in engineering (including software) and manufacturing for real value addition − Not a trading company/agency.

(vi)Companies with established R&D Base or willing to invest in R&D as decided by the Regulatory Authority.

(vii)Companies with units/divisions with established Quality Control System meeting various quality certifications and standards as laid down from time to time. Current standards should include ISO 9001 & ISO 14001 and preferably ISO 18001 also. The system should enable self-certification by select Industry "Champions".

(viii)Companies with security infrastructure meeting relevant requirements authorized by Government agencies.

(ix)The company shall either possess a licence/LOI for production of Defence items in accordance under the Industries (Development and Regulation) Act, 1951 or obtain the same within six months of application for seeking "RUR" status, wherever required.